



Sustainable Agriculture Coalition

110 Maryland Avenue N.E.
Washington, D.C. 20002

Phone: (202) 547-5754
Fax: (202) 547-1837

June 30, 2003

Ms. Tess Butler
Grain Inspection, Packers and Stockyards Administration
United States Department of Agriculture
1400 Independence Avenue SW
Room 1647-S
Washington, DC 20250-3604

**Re: Comments on Notice of Grain Inspection, Packers and Stockyards Administration
Livestock and Meat Marketing Study, 68 Federal Register 32455, May 30, 2003**

Dear Ms. Butler:

The Sustainable Agriculture Coalition submits these comments in response to the Notice of Grain Inspection, Packers and Stockyards Administration (GIPSA) Livestock and Meat Market Study, published at 68 Federal Register 32,455 (May 30, 2003) (Proposed Study).

1. Study not needed for USDA to take action.

In our view, the proposed study should not delay USDA action to preserve fair, open, and competitive agricultural markets and healthy rural communities. There are a plethora of studies by GIPSA and others documenting structural transformation of the meatpacking industry toward extreme levels of concentration and vertical integration agreement as well as studies showing a correlation between captive supplies and lower spot market prices. As your Federal Register notice indicates, these studies have demonstrated correlation but not causation. More economic studies, however, are unlikely to shed significant new light on the issue of market price manipulation and collusion. Interestingly, the proposed objective #6 speaks of examining the "effects" of captive supplies on spot markets, suggesting perhaps that from the outset the new study will not move beyond the already established finding of a positive correlation between concentration and captive supplies and low prices to producers. If in fact the new study is going to produce new information on this point, then the agency and the interagency working group that has been established for this study need to sharpen this objective and give clear direction to the investigators.

We take issue with the comment in the Federal Register notice that "The effects of the ownership of livestock by packers and its impacts on the livestock and meat marketing industries needs to be better understood before it can be determined whether legislative action may be appropriate." While we understand and accept that this study will be undertaken, given the substantial \$4.5 million appropriated for it in the 2003 omnibus appropriations, we reject the notion that USDA

can take no positive action to begin to restore competition in the meantime. By the same token, we reject the notion that Congress should delay taking action on S.27, the Prohibition on Packers Owning, Feeding, or Controlling Livestock, S. 325, the Spot Market bill, and S. 1044, the Captive Supply Reform Act.

2. The study should concentrate on areas that have not been studied adequately.

The wisest investment of the taxpayers' substantial contribution to the proposed study would be to concentrate it on areas that have not already been adequately studied. In our view, two such areas stand out as worthy of the investment of time and money.

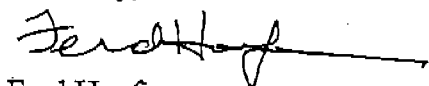
First, GIPSA should examine price discrimination against moderate-scale family farms. The agency has broad authority under the Packers and Stockyards Act to issue special orders requiring that packers file regular reports regarding all livestock transactions. Special orders may mandate that these reports include all important information regarding 1) method of procurement; 2) terms of payment 3) captive supplies 4) practices for offering forward contracts and marketing agreements; and 5) any additional information the Secretary deems necessary to carry out the provisions of the Packers and Stockyards Act. A thorough look at the extent and nature of price discrimination using this authority would be in keeping with the goals and objectives for the proposed study.

Specifically, GIPSA should collect information by special order on livestock procurement contracts offered currently and over the last year by the nation's ten largest packers of pork and beef in a manner that demonstrates the differences in base price (controlling for yield and quality adjustments) and other terms offered to producers of varying sizes, the size categories that determine the terms offered, and the number of producers of varying sizes to which the various contracts and terms are offered. The findings shall be reported to the public in manner that clearly describes the size categories (in annual marketings) at which price premiums change and the size categories (in annual marketings) at which more favorable contracts become available. No reporting category should include more than 25 percent of the national slaughter.

Second, the study should examine and document the benefits to packers of captive supplies. This aspect of the study should include investigation of how packers profit from ownership and captive supply arrangements; how they structure the profits from those arrangements; how the profits are attributed, accounted for, and measured; and how they are treated for tax purposes. This information would be useful to more adequately assess the benefits to packers of captive supplies, which in turn would help inform decisions related to enforcement of the PSA.

Thank you for this opportunity to comment.

Sincerely,



Ferd Hoefner
Washington Representative
Sustainable Agriculture Coalition